



# Fedwire<sup>®</sup> Securities Joint Custody Service

The Fedwire<sup>®</sup> Securities Joint Custody Service is offered by the Federal Reserve Banks for financial institutions and is designed to assist state and local government entities in mitigating risk to deposits of public funds. The service facilitates the collateralization of deposits made by a government entity, including deposits above the current \$250,000 Federal Deposit Insurance Corporation (FDIC) insurance limit, through the pledging of book-entry securities by its depository financial institution.

Because this service offers an efficient, cost-effective method for the management of public funds, your institution can leverage this opportunity to increase its breadth of service offerings and attract new government customers.

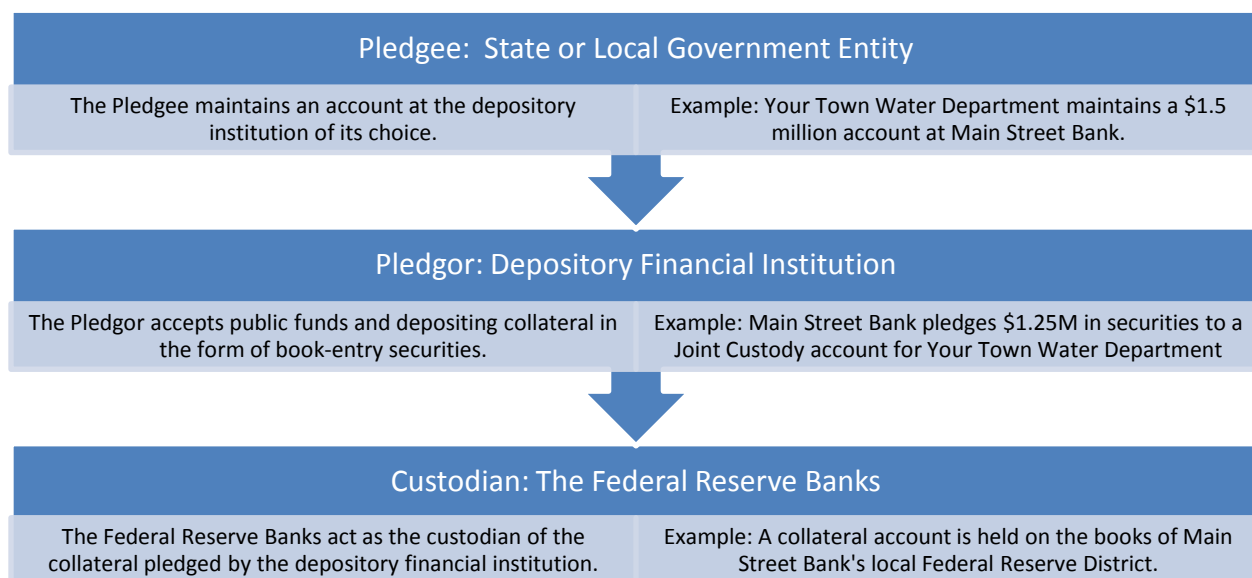
## How a Joint Custody Service transaction works

A Joint Custody Service transaction includes three parties:

A depository financial institution acts as the **Pledgor**, accepting deposits of public funds and protecting them against loss by depositing collateral in the form of book-entry securities. Pledgors must have both a master account and a Fedwire Securities Service account established with the Federal Reserve Banks.

The **Pledgee** is the state or local government entity that chooses to deposit public funds with the Pledgor. The Pledgee's funds are protected against loss to the extent the value of the book-entry securities pledged by its depository financial institution equals or exceeds the uninsured portion of the deposit. The Pledgee is responsible for confirming that the securities pledged in the Joint Custody account meet its eligibility criteria.

The **Federal Reserve Banks** act as the custodian of the collateral pledged by the depository financial institution. Collateral accounts are held on the books of the Pledgor's local Federal Reserve District. The Federal Reserve Banks do not provide collateral valuation services and do not monitor the value of securities that have been pledged to the government entity.



## **Key Benefits**

- Take advantage of an efficient, cost-effective method for the management of public funds that helps support overall risk management practices.
- Leverage new business opportunities with government entities and enables you to better serve your existing government customers.
- Encourage your government customers to consolidate deposits instead of spreading them among multiple institutions to ensure that they are covered under FDIC insurance.
- Experience a streamlined setup process for existing Fedwire Securities Service customers and utilize the processes you already have in place for processing Fedwire Securities Service transactions.

## **Get Started Today**

To sign up for the Fedwire Securities Joint Custody Service, please visit [FRBservices.org/](https://FRBservices.org/) to complete the applicable [forms and agreements](#), or call the Federal Reserve Bank of Boston's Wholesale Operations Site at (800) 327-0147, option #4.

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